**Promotion of ethanol as motor fuel**

704. SHRI R.P. GOENKA: Will the Minister of PETROLEUM AND NATURAL be pleased to state:

(a) whether any fresh review has been undertaken to encourage increased use of ethanol, derived from cheap indigenous sugarcane, as fuel for motor cars etc.;

(b) if so, the results thereof;

(c) whether it is a fact that Brazil is already successully using 50 per cent blend of ethanol with petrol and many countries are switching to bio-fuels like ethanol, due to falling stocks of fossil fuel and their rising prices; and

(d) if so, the details thereof?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) In terms of the G.S.R. 705(E) dated 27th October, 2004, 5% ethanol-blended petrol, as per Bureau of Indian Standards (BIS) specifications, shall be sold in the notified States and Union Territories if the price of sourcing indigenous ethanol for supply of ethanol-blended petrol is comparable to the price of indigenous ethanol for alternative uses, and the delivery price of ethanol at the location is comparable to the import price of petrol at that location and the indigenous ethanol industry is able to maintain the availablity of ethanol for ethanol-blended petrol programme at such prices. The position of implementation of the programme is constantly reviewed in the Ministry. The MoU signed in August, 2005 between the Indian Sugar Mills Association (ISMA) and IOC, on behalf of the public sector oil marketing companies, for supply of ethanol is shown in the enclosed statement (*See* below).

(c) and (d) In terms of available information, Brazil uses up to 25% blend of ethanol with petrol. In many other countries in Europe & USA, both ethanol and bio-diesel use are being encouraged primarily in response to environmental concerns.

***Statement***

*MOU signed between ISMA and IOC*

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (hereinafter referred to as "MOU") made and entered into this fourth day of August 2005 by **Indian Oil Corporation Limited,** (including its subsidiary, IBP Co. Limited), having its registered office at G-9, Ali Yavar Jung Marg, Bandra (East), Mumbai-400051, as the oil industry coordinator, also on behalf of **Hindustan Petroleum Corporation Limited,** having its registered office at 17, Jamshedji Tata Road, Mumbai-400020, **Bharat Petroleum Corporation Limited,** having its registered office at Bharat Bhavan, 4&6 Currimbhoy Road, Ballard Estate, Mumbai-400001, all Public Sector Undertakings of the Union Ministry of Petroleum & Natural Gas, Shastri Bhavan, New Delhi (also referred as Central Government), and hereinafter referred to as "Oil Marketing Companies" also "Buyers", which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and permitted assigns and **Indian Sugar Mills Association,** an Association registered under Indian Trade Union Act, 1926 and having its registered office at 'C' Block, 2nd Floor, Ansal Plaza, A.K. Road, Andrews Ganj, New Delhi-110049 who enters into an agreement with Oil Marketing Companies for supply of ethanol, (and hereinafter referred to as "Association", also "Sellers"), which expression shall unless it be repugnant to the context or meaning thereof be deemed to mean and include its successors and permitted assigns. Buyers and Sellers are sometimes referred to herein collectively as the "Parties".

**WHEREAS,**

A. Central Government has directed that 5% ethanol-blended petrol (EBP) as allowed in the specifications of Bureau of Indian Standards (BIS) shall be sold in notified areas. The areas notified are the States of Maharashtra, Gujarat, Goa, Uttar Pradesh, Uttaranchal, Haryana, Punjab, Karnataka, Andhra Pradesh (all districts except Chittoor & Nellore) & Tamil Nadu (only in districts of Coimbatore, Dindigul, Erode, Kanayakumari, Nilgiris, Ramanathapuram, Tirunelveli, Tuticorin and Virudhunagar) and in the Union Territories of Daman & Diu, Dadra & Nagar Haveli and Chandigarh.

B. The Central Government may, by an order, modify the areas, and the percentage of ethanol in EBP that may be supplied, and specify the period for the same.

C. State Government issues specific Excise Licenses to the supply locations of Oil Companies for a specific period for blending of petrol with ethanol/storage of ethanol. State Government also supervisors/inspects the ethanol loading at the Sellers premises and on receipt at the locations of the Oil Marketing Companies.

D. "Sellers" represent the manufacturers of indigenous ethanol who enter into an agreement with Oil Marketing Companies for supply of ethanol.

E. "Buyers" represent the Oil Marketing Companies who enter into an agreement with the manufacturers of indigenous ethanol for purchase of ethanol.

F. EBP is sold by the Oil Marketing Companies in terms of the parameters directed by the Central Government from time to time and accordingly, in terms of their requirement, the Buyers purchase ethanol quantity from the Sellers from time to time.

**NOW THEREFORE, IN THE PREMISES AFORESAID THE PARTIES ARRIVE AT THE UNDERSTANDING AS RECORDING HEREUNDER:—**

1. Oil Marketing Companies shall purchase ethanol quantities and sell EBP in the notified areas, if ethanol of requisite BIS specification is offered by suppliers on terms and conditions not repugnant to the parameters specified in terms of Central Government directives/Gazette Notifications from time to time.

2. Sellers shall supply full quantity of ethanol to the Buyers in accordance with the commercial terms and conditions signed with the Oil Marketing Companies during the currency of the contract.

3. The Oil Marketing Companies and the sellers agree that in case of regional deficit in supply of ethanol, ethanol can be purchased from any other region from which the sellers are willing to meet the deficit in supply.

4. The Oil Marketing Companies shall maintain adequate storage facilities at all blending stations to store regular receipts from suppliers.

5. Sellers shall maintain uninterrupted supplies of ethanol to the Oil Marketing Companies during the entire contractual period.

6. Notwithstanding the terms mentioned above, the parties agree to mutually discuss and resolve all the issues connected with the allocation/sale/purchase of ethanol during the currency of this MOU.

7. This MOU shall become effective from the date of its signing ("Effective Date") and remain in effect for a period of 1 (one) year therefrom, provided that before expiry of the period, it can be extended by one more year or terminated as may be mutually decided.

8. Amendment:—No variation of or an amendment to any of the terms of this MOU shall be effective unless it is in writing and signed by or on behalf of the parties.

9. Notices:—All communications, notices hereunder shall be in writing by personal delivery, courier, as well as registered post to the parties at the address set forth below or such other address as the parties may direct by notice hereunder:—

    1. Director (Marketing) IOC, and Managing Director IBP Co. Limited,
    Indian Oil Corporation Limited
    G 9, Ali Yavar Jung Marg
    Bandra (East)
    Mumbai-400051

    2. Director (Marketing)
    Hindustan Petroleum Corporation Limited
    17, Jamshedji Tata Road, Mumbai-400020

    3. Director (Marketing)
    Bharat Petroleum Corporation Limited
    Bharat Bhavan, 4&6 Currimbhoy Road,
    Ballard Estate, Mumbai-400001

4. Director General,
Indian Sugar Mills Association
'C' Block, 2nd Floor,
Ansal Plaza, A.K. Road,
Andrews Ganj, New Delhi-110049

**CONFIDENTIALITY:—**

All business arrangements undertaken under the terms and conditions of the Memorandum of Understanding will be strictly confidential.

**SIGNED ON THIS FOURTH DAY OF AUGUST 2005 AT SHASTRI BHAVAN, NEW DELHI**

| **FOR BUYERS** | **FOR SELLERS** |
|---|---|
| (DR. N.G. KANNAN) | (SMT. RAJSHREE PATHY) |
| Director (Marketing) | President, |
| Indian Oil Corporation Limited | Indian Sugar Mills Association |

**Availability of gas reserves in KG basin**

705. SHRI LALIT SURI: Will the Minister of PETROLEUM AND NATURAL be pleased to state:

(a) whether the Gujarat State Petroleum Corporation has recently discovered reserves of natural gas in Krishna-Godavari basin in Andhra Pradesh;

(b) if so, the quantum of gas likely to be available from these reserves annually for commercial use in the country when actual production starts; and

(c) the period for which these reserves are likely to last?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) Yes, Sir, M/s Gujarat State Petroleum Corporation Ltd. has made a gas discovery in the offshore block KG-OSN-2001/2 on the East coast. In terms of the Production Sharing Contract,